

Entrepreneurship

Prepared by Dr. Thana Ahmed

Lecture 3

Inside the Entrepreneurial Mind: From Ideas to Reality

Learning Objectives

1

Describe the process of conducting an idea assessment.

2

Explain the elements of a feasibility analysis.

3

Describe the six forces in the macro environment of an industry.

4

Understand how Porter's Five Forces Model assesses the competitive environment.

Learning Objectives

5

Describe the various methods of conducting primary and secondary market research.

6

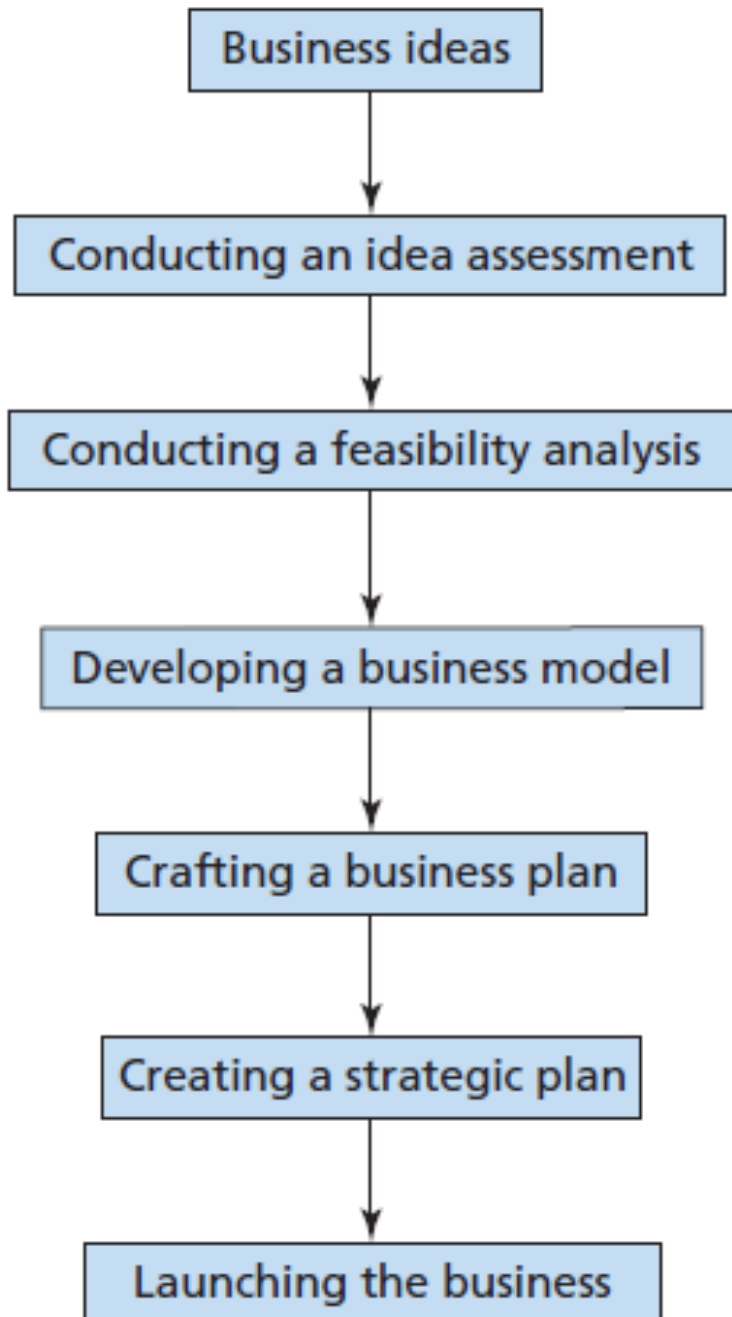
Understand the four major elements of a financial feasibility analysis.

7

Describe the process assessing entrepreneur feasibility.

8

Describe the nine elements of a business model.



New Business Planning Process



Idea Assessment

Idea assessment: The process of examining a particular need in the market, developing a solution for that need, and determining the entrepreneur's ability to successfully turn the idea into a business.



!dea

Idea Assessment

Idea sketch pad =

- effective tool used to help assess ideas
- It helps entrepreneurs assess ideas in a relatively short period of time

The Really Big Idea Sketch Pad

These are the parameters to change when creating or refining a venture or project idea. Think of it as sketching your idea.

name of this idea: Name your Really Big Idea

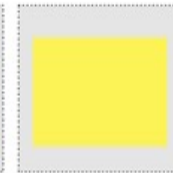
Who are the people involved in starting this venture?



people



What relevant experience do they bring to the table?



What specific knowledge do they bring to the table?

directions

1. Write the answers to each question on Post-It Notes.
2. Put them on the sketchpad in the marked areas, e.g.
3. If you don't have enough room, then simplify.
4. Assess your idea using the "really big idea critique pad".
5. Repeat and replace Post-Its liberally.

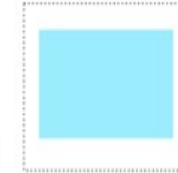
core competency



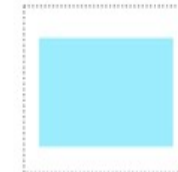
Do you have any core, differentiating competencies, such as a technology or science?

customer

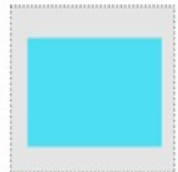
Who is the user or beneficiary?



How does the user use your offering?



Who is the economic buyer or decision maker?

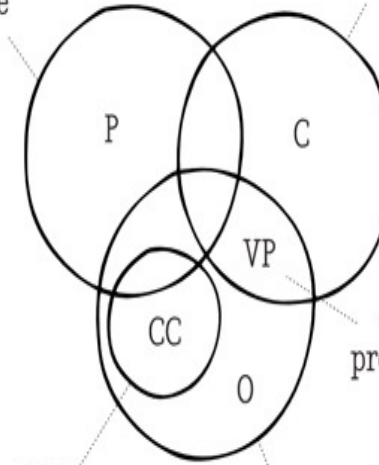


How many buyers are there?

Why is the offering important to the user?



Why is the offering important to the buyer?



value proposition

offering



What type of offering is envisioned? i.e. commodity, good, service, or experience?



Name and describe it...



Sketch it or otherwise help people visualize it ...

theinnographer.com

To download and print copies of this sketch pad, visit:
www.theinnographer.com/toolkit/really-big-value-idea

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Idea Assessment

Use an **idea sketch pad** to ask key questions about:

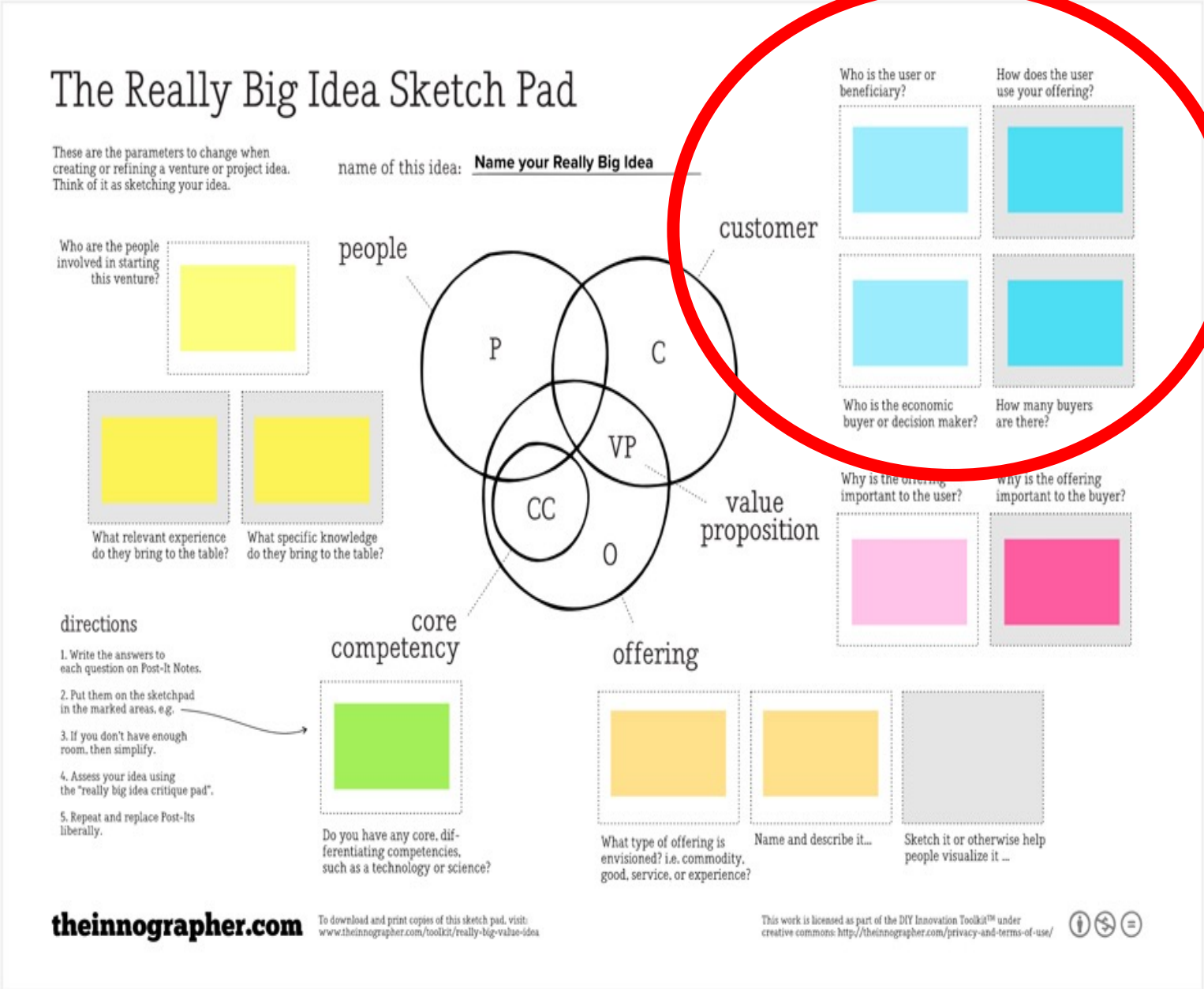
1. Customers

2.Offering

3.Value proposition

4. Core competencies

5. People



Idea sketch pad

1. Customers.

- Start with a group of customers who have a clear need that is not being addressed: this may be a need that no business is currently addressing, or it may be a need that no business is fully or adequately meeting for these customers.
- The entrepreneur assesses the customers by answering basic questions about the potential users of the product or service and the potential buyers if they are different than the users.
 1. Specifically who would be the users of the offering?
 2. How would they use the offering?
 3. How many potential customers are there?



The Really Big Idea Sketch Pad v2.

These are the parameters to change when creating or refining a venture or project idea. Think of it as sketching your idea.

name of this idea: _____

Who are the people involved in starting this venture?

What relevant experience do they bring to the table?

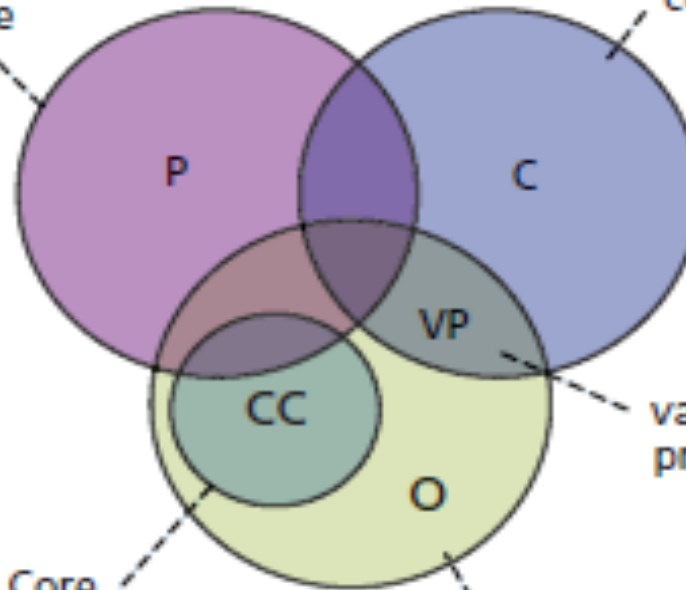
What specific knowledge do they bring to the table?

directions

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Do you have any core, differentiating competencies, such as a technology or science?

people



Core competency

offering

customer

value proposition

Who is the user or beneficiary?

How does the user use your offering?

Who is the economic buyer or decision maker?

How many buyers are there?

Why is the offering important to the user?

Why is the offering important to the buyer?

What type of offering is envisioned? I.e. commodity, good, service, or experience?

Name and describe it...

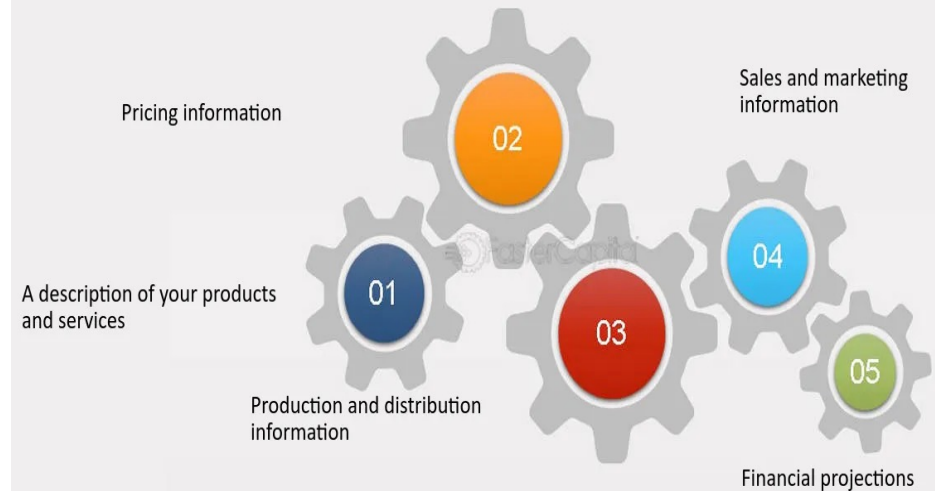
Sketch it or otherwise help people visualize it...

Idea sketch pad

2. Offering.

Describe your idea for a product or service to offer the customers. Are you offering a product, a service, an experience, or a combination of one or more of these? What are its key features? Describe it in detail and sketch out an image of it if you can.

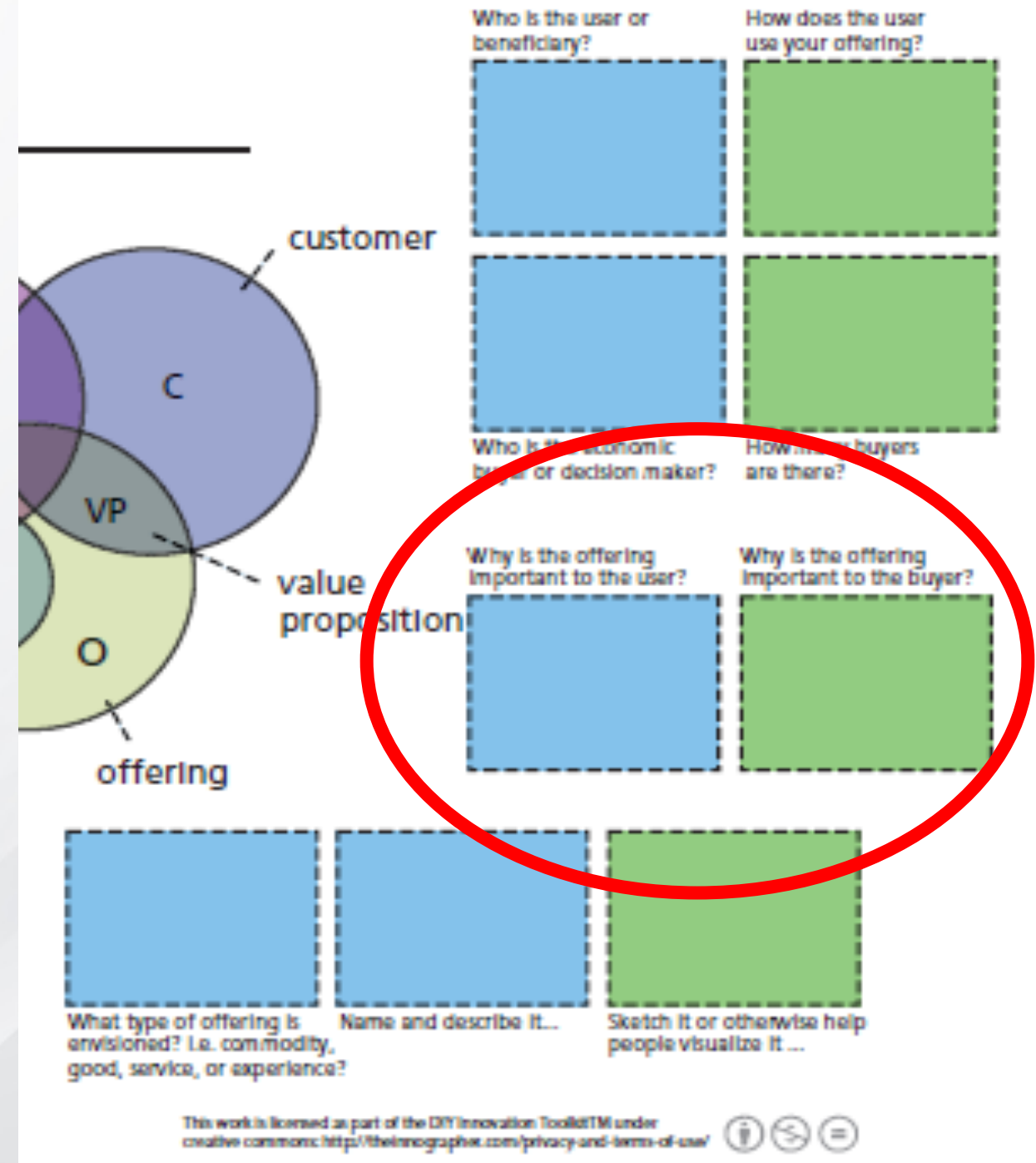
The Product and Service Offerings



Idea sketch pad

3. Value proposition.

- Explain why your product or service will be important to the customers.
- Why would your offering be valuable to the user and/or buyer?
- How does it address the need these customers currently have that is not being met?



The diagram illustrates the Value Proposition Canvas, a tool for developing business models. It consists of a central Venn diagram and a surrounding grid of sketch boxes.

Central Diagram:

- Customer (C):** Represented by a large purple circle.
- Offering (O):** Represented by a large green circle.
- Value Proposition (VP):** The intersection of the Customer and Offering circles, shaded in grey.

Sketch Boxes:

- Top Row:**
 - Who is the user or beneficiary? (Blue box)
 - How does the user use your offering? (Green box)
- Second Row:**
 - Who is the economic buyer or decision maker? (Blue box)
 - How many buyers are there? (Green box)
- Third Row (Circled in Red):**
 - Why is the offering important to the user? (Blue box)
 - Why is the offering important to the buyer? (Green box)
- Bottom Row:**
 - What type of offering is envisioned? I.e. commodity, good, service, or experience? (Blue box)
 - Name and describe it... (Blue box)
 - Sketch it or otherwise help people visualize it... (Green box)

Footer:

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Idea sketch pad

4. Core competencies.

Does your offering include any technologies or unique features that will help differentiate it from competitors? Is it based on intellectual property that you can protect?

The Really Big Idea Sketch Pad ver. 1.0

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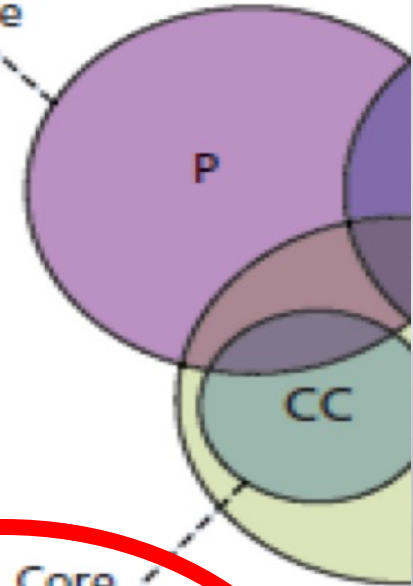
name of this idea: _____

Who are the people involved in starting this venture?

people

What relevant experience do they bring to the table?

What specific knowledge do they bring to the table?



directions

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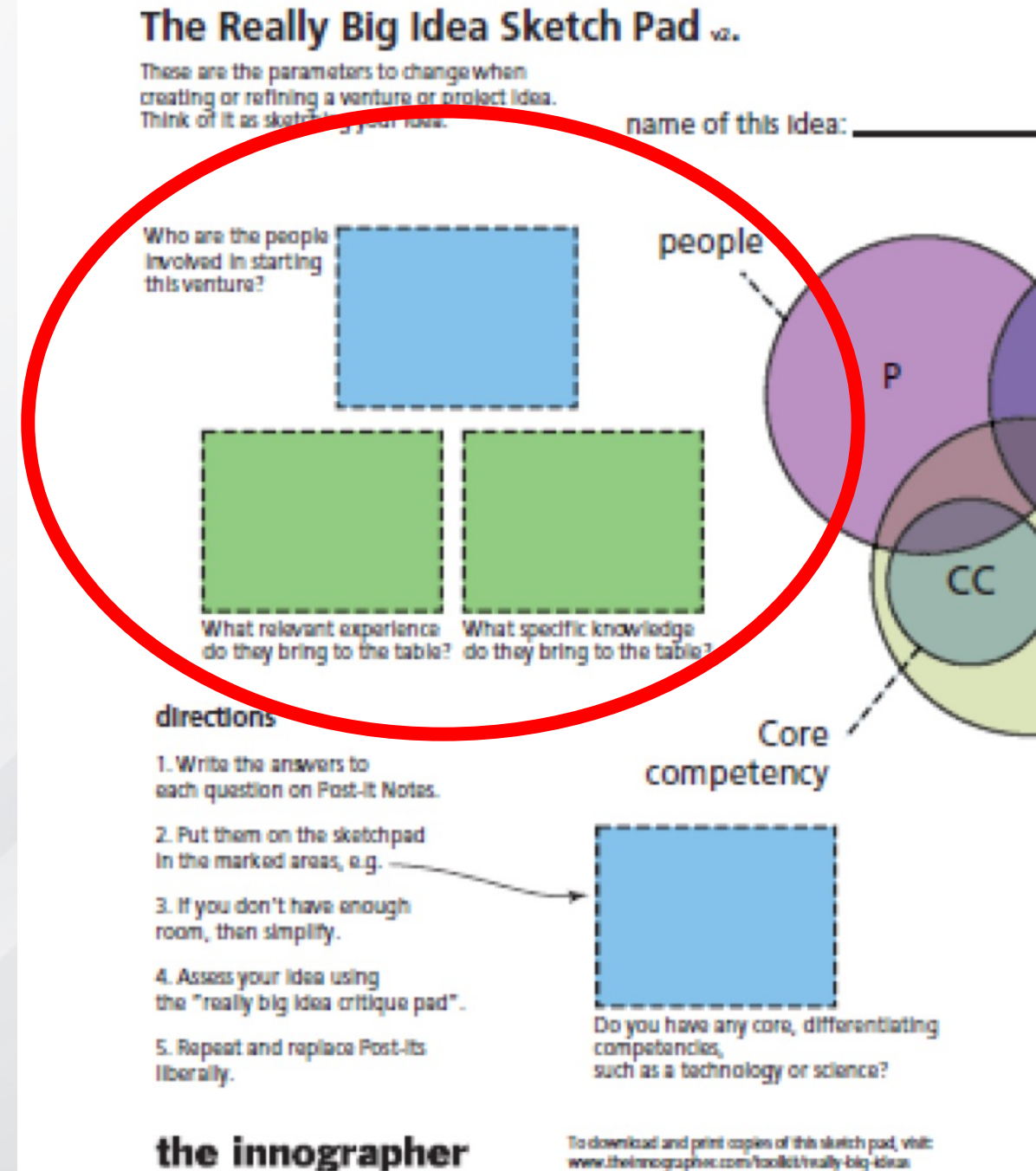
Core competency

Do you have any core, differentiating competencies, such as a technology or science?

Idea sketch pad

5. People.

- Identify the key people on the team who will launch this business.
- Who are the founding entrepreneurs of this venture?
- Do they have the skills and knowledge needed to successfully turn the idea into a start-up venture?
- Can they attract key team members who will fill in any gaps in knowledge, skills, and experience?



Idea Sketch Pad

The parameter is needed when we creating our venture of Recast Artistry LTD

Name of this idea: Recast Artistry LTD.

The people involved in starting this venture

Md. Sovon Khan Ovi
Jahid Khan Rahat
Mujahidul Islam

Sovon- Product Designer
Jahid- Accountant
Mujahidul- Customer Service

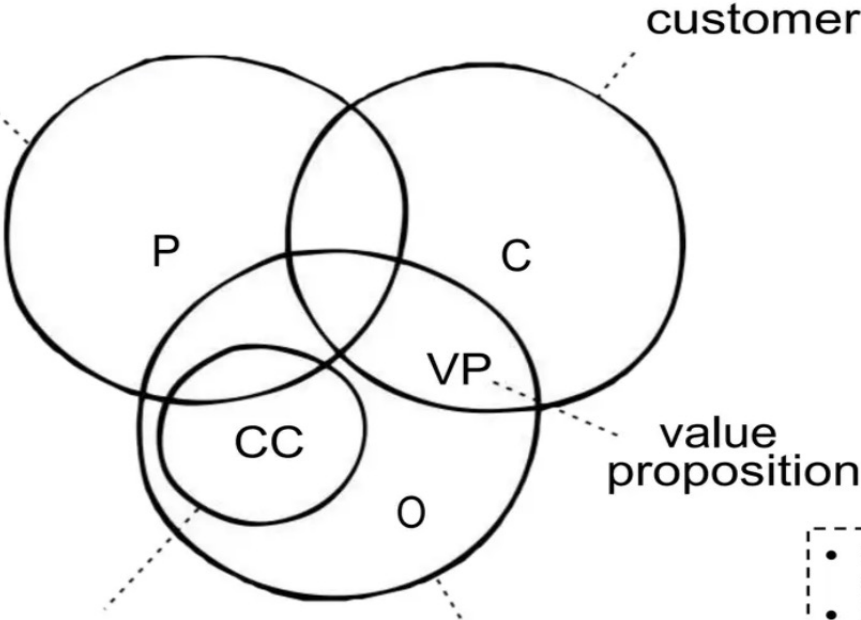
Sovon- Graphics Designing
Jahid- Budgeting
Mujahidul- Marketing Manager

The relevant experience that we have

The specific knowledge we have regarding the business

people

core competency



The user or beneficiary of our

The user uses our offering

Both Males and Females

To decorate office, home, garden and car etc.

- Working man and woman
- Teenagers

Countless in Numbers

The economic buyer or decision maker

The number of buyers of our business

Reason behind the offering is important to the user

Reason behind the offering important to the buyer

- Smart ways of decoration
- Easy to carry
- Save time while decoration

- Premium design
- High durability
- Beautiful Showpiece
- Traditional handcraft

offering

A goods- we provide the interior decoration products

- Decorate office interior
- Decorate home interior
- Decorate car
- Use as furniture



Using expert graphics designer for designing unique decoration product as well as computer software for designing the product.

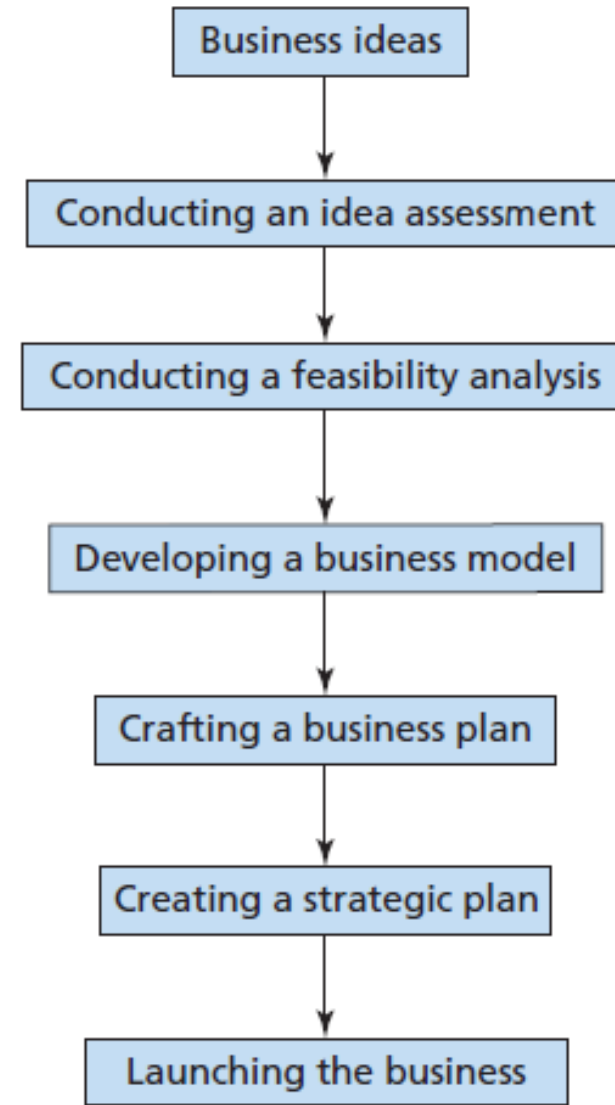
Differentiating competencies of our business

The Types of offering

Description of product

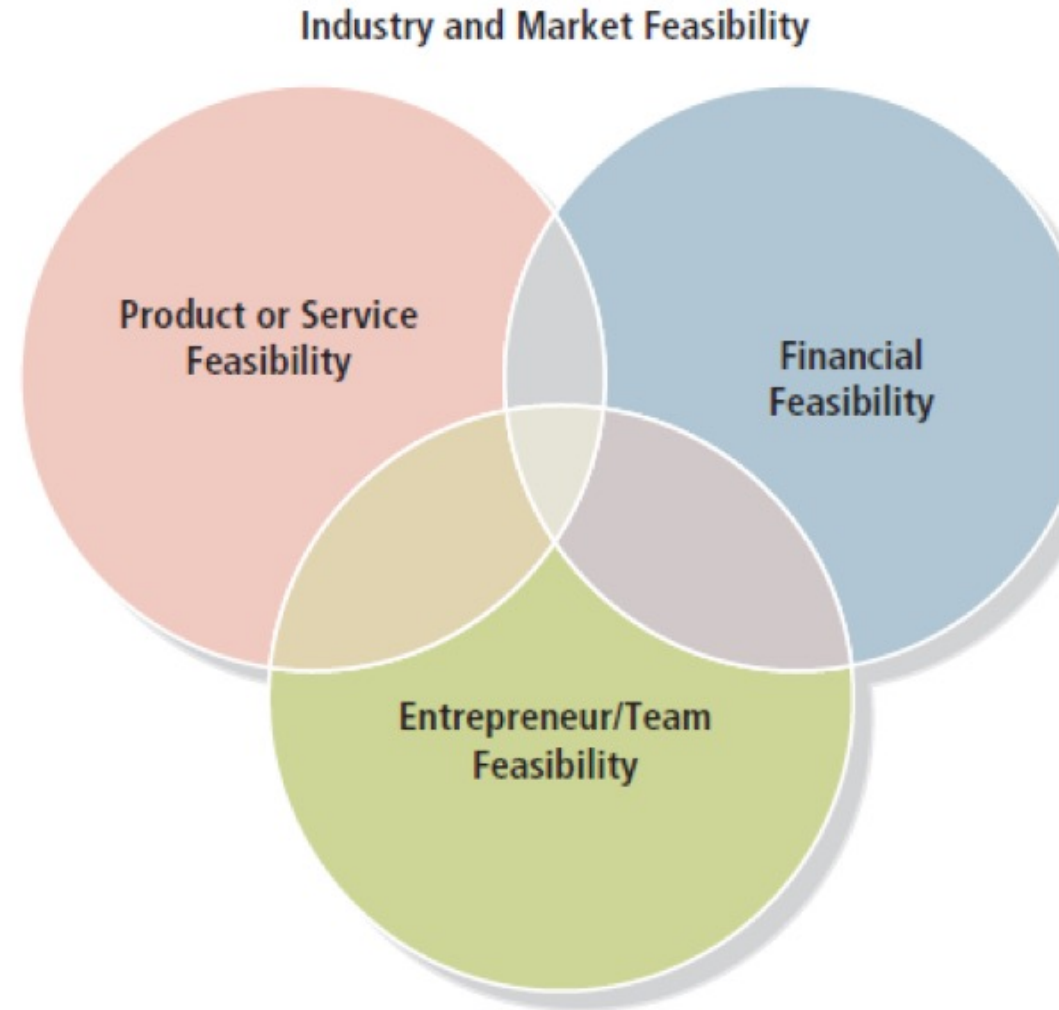
Visualize product

New Business Planning Process



Feasibility Analysis

- An analysis of the viability of a business idea that includes four interrelated components:
 1. An industry and market analysis,
 2. The product or service analysis,
 3. A financial analysis, and
 4. An entrepreneur analysis.



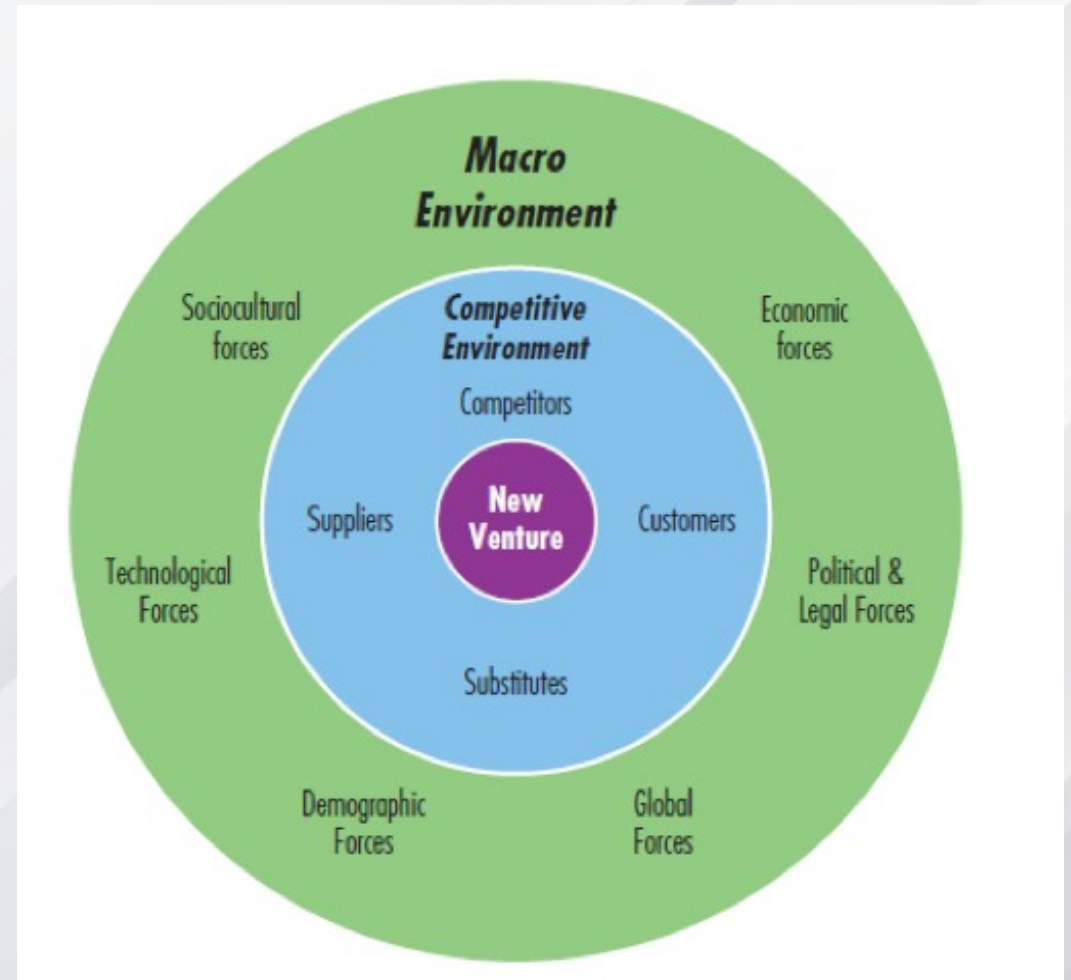
Feasibility Analysis

- Is a particular idea a viable foundation for creating a successful business?
- Feasibility study addresses the question: “Should we proceed with this business idea?”



Environmental Forces and New Ventures

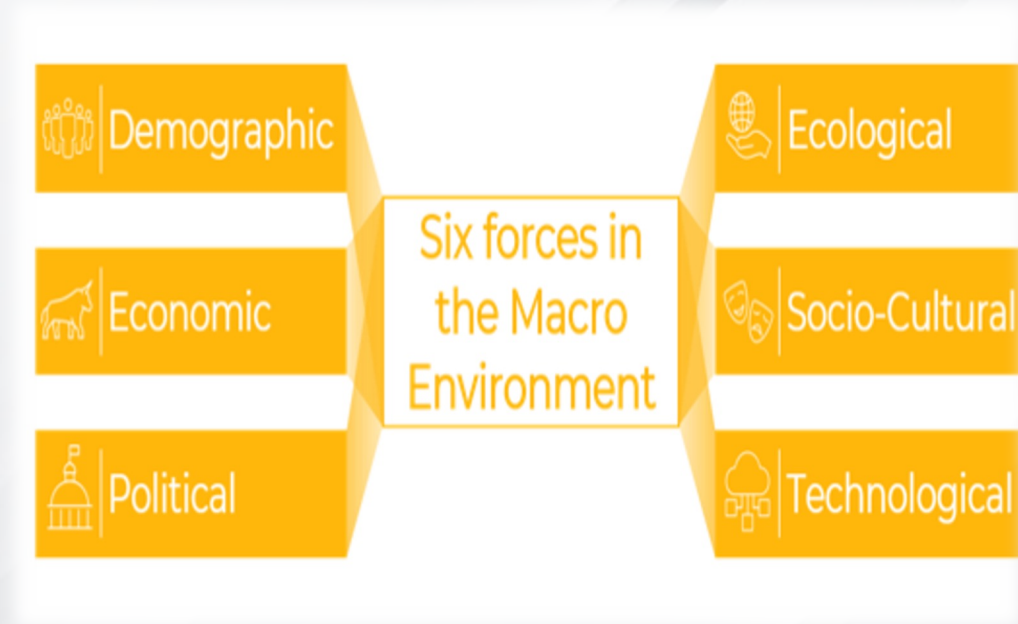
- The first step in assessing industry attractiveness is to paint a picture of the industry in broad strokes, assessing it from a “macro” level.
- Most opportunities for new businesses within an industry are due to changes taking place in that industry.



Industry and Market Feasibility Analysis

Assess industry attractiveness using six macro forces:

1. Sociocultural
2. Technological
3. Demographic
4. Economic
5. Political and legal
6. Global / Ecological



Industry and Market Feasibility Analysis

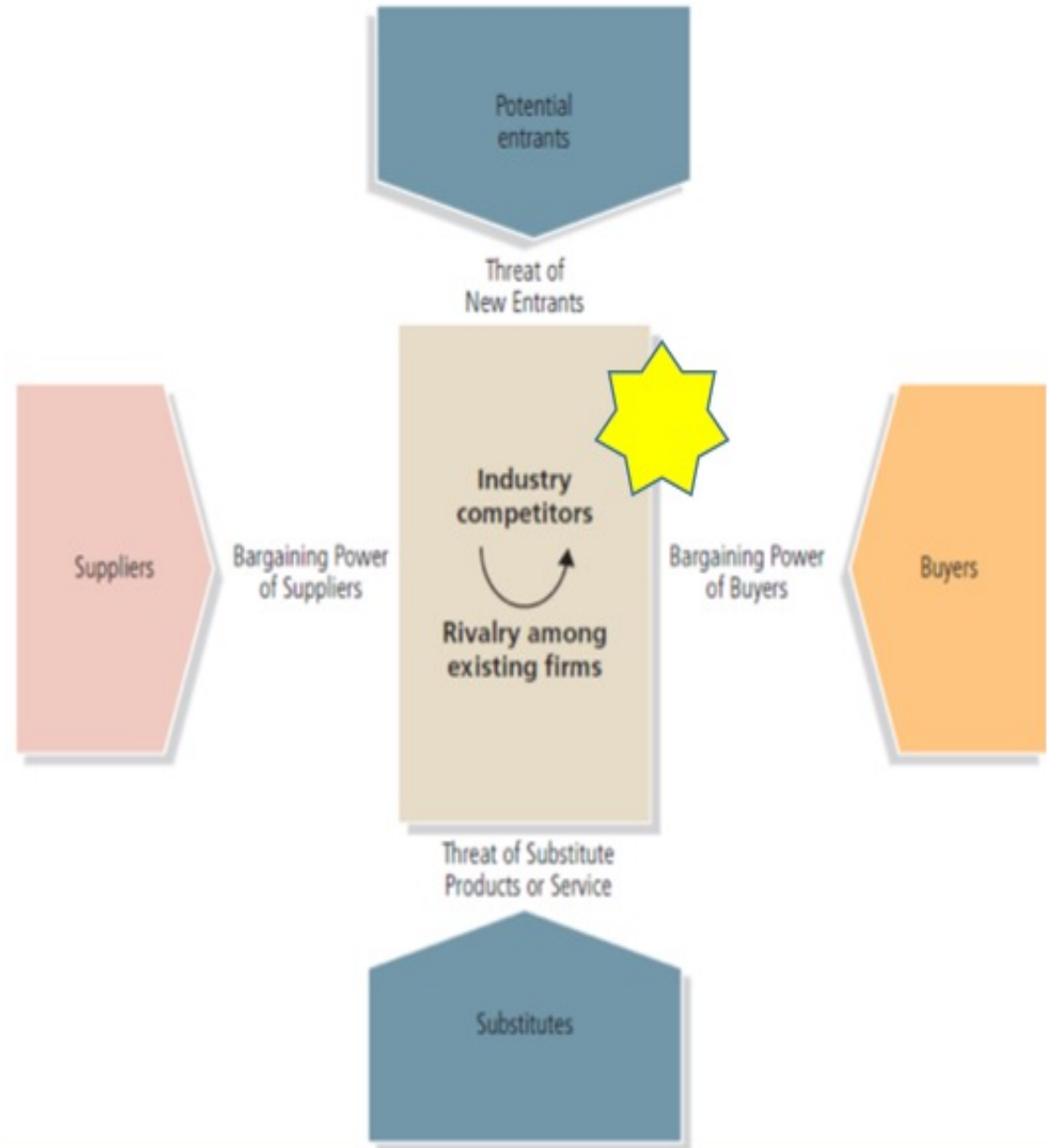
- How large is the industry?
- How fast is it growing?
- Is the industry as a whole profitable?
- Is the industry characterized by high profit margins or razor-thin margins?
- How essential are its products or services to customers?
- What trends are shaping the industry's future?
- What threats does the industry face?
- What opportunities does the industry face?
- How crowded is the industry?
- How intense is the level of competition in the industry?
- Is the industry young, mature, or somewhere in between?

Porter's Five Forces Model

- Five forces interact with one another to determine the setting in which companies compete and, hence, the attractiveness of the industry:
 1. Rivalry among companies in the industry
 2. Bargaining power of suppliers
 3. Bargaining power of buyers
 4. Threat of new entrants
 5. Threat of substitute products or services



FIVE FORCES MODEL

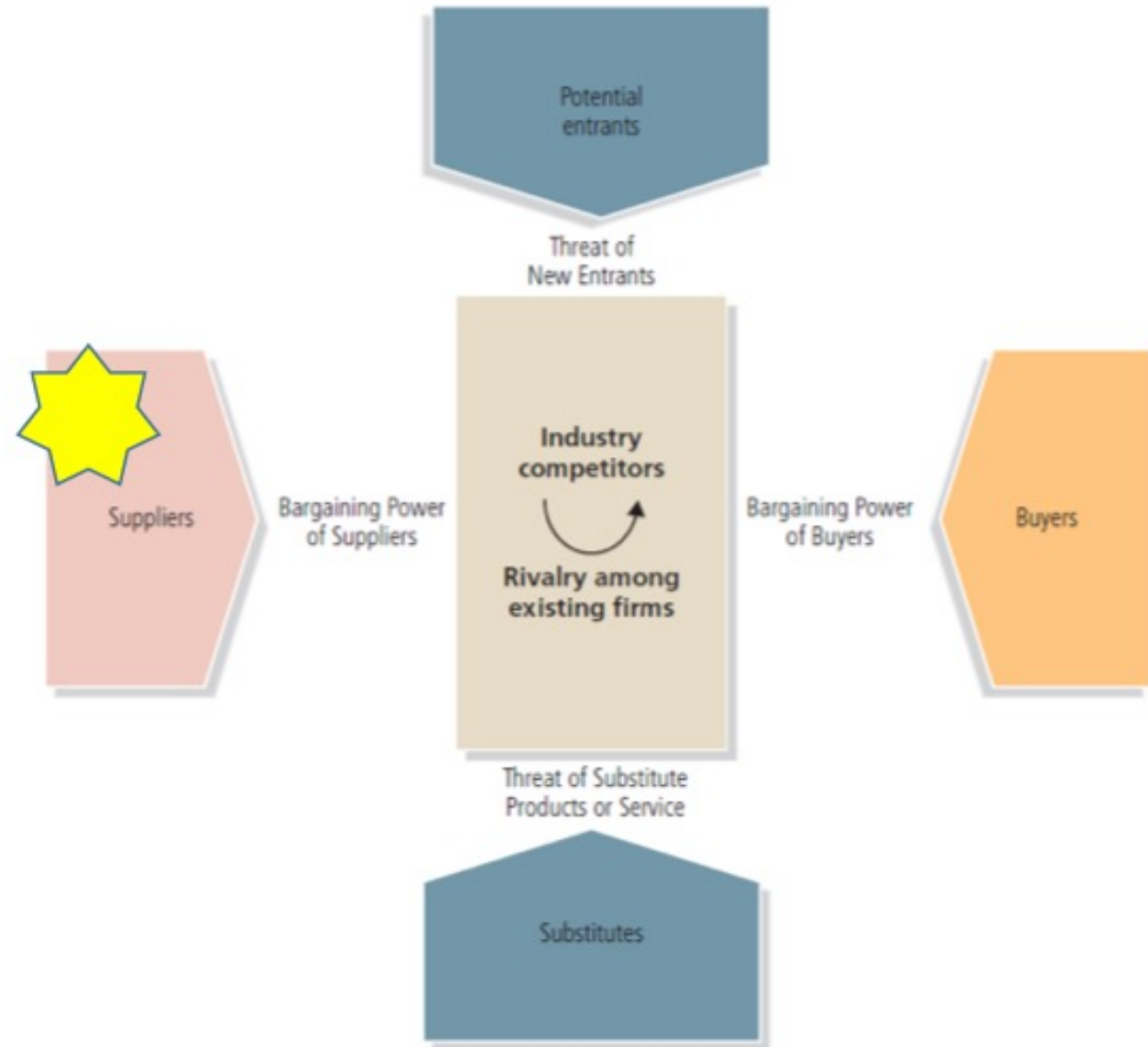


Rivalry Among Companies

- Strongest of the five forces
- Industry is more attractive when:
 - Number of competitors is large, or, at the other extreme, quite small
 - Competitors are not similar in size or capacity
 - Industry is growing fast
 - Opportunity to sell a differentiated product or service exists



FIVE FORCES MODEL

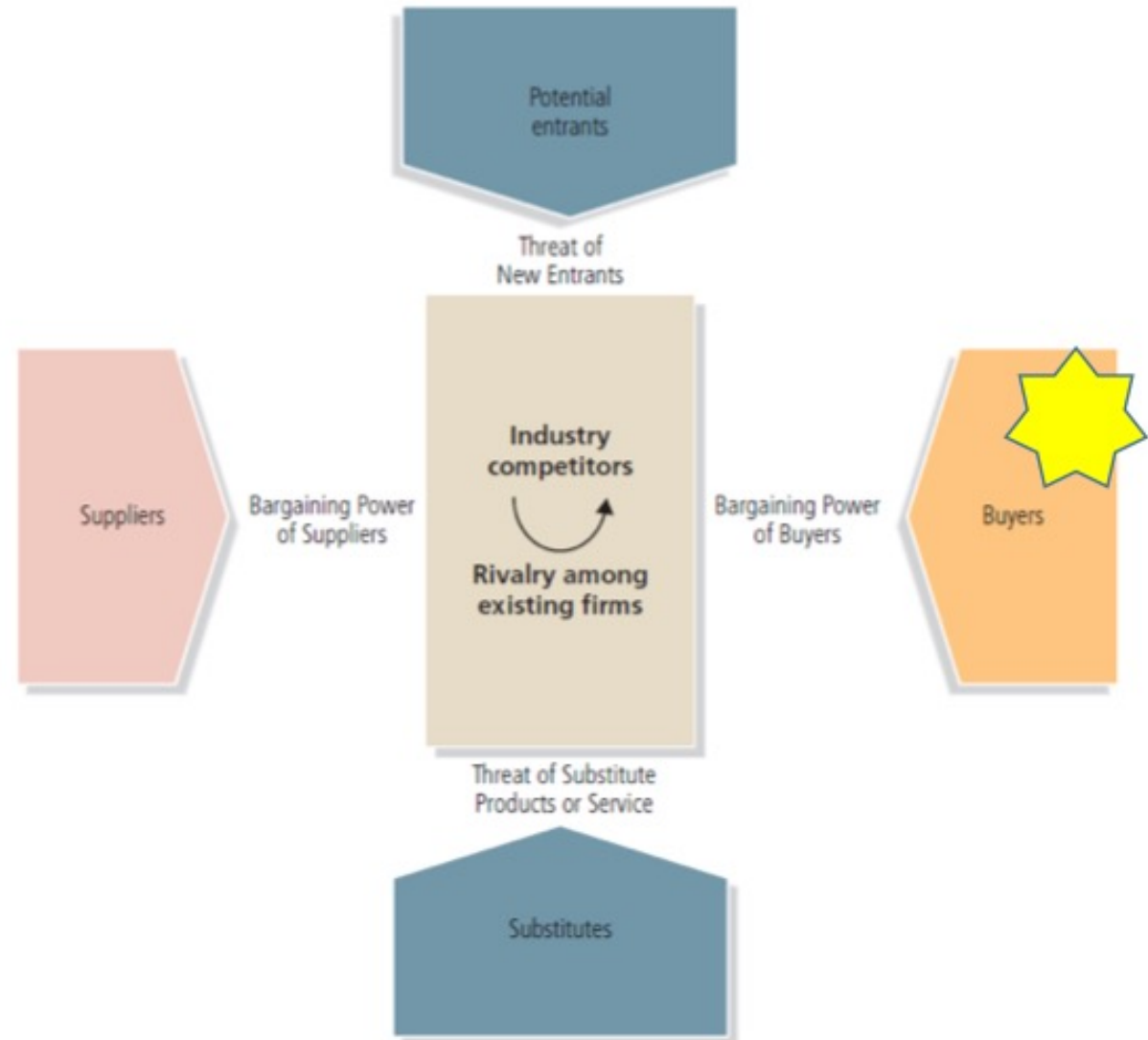


Bargaining Power of Suppliers

- The greater the leverage of suppliers, the less attractive the industry.
- Industry is more attractive when:
 - Many suppliers sell a commodity product
 - Substitutes are available
 - Switching costs are low
 - Items account for a small portion of the cost of finished products



FIVE FORCES MODEL

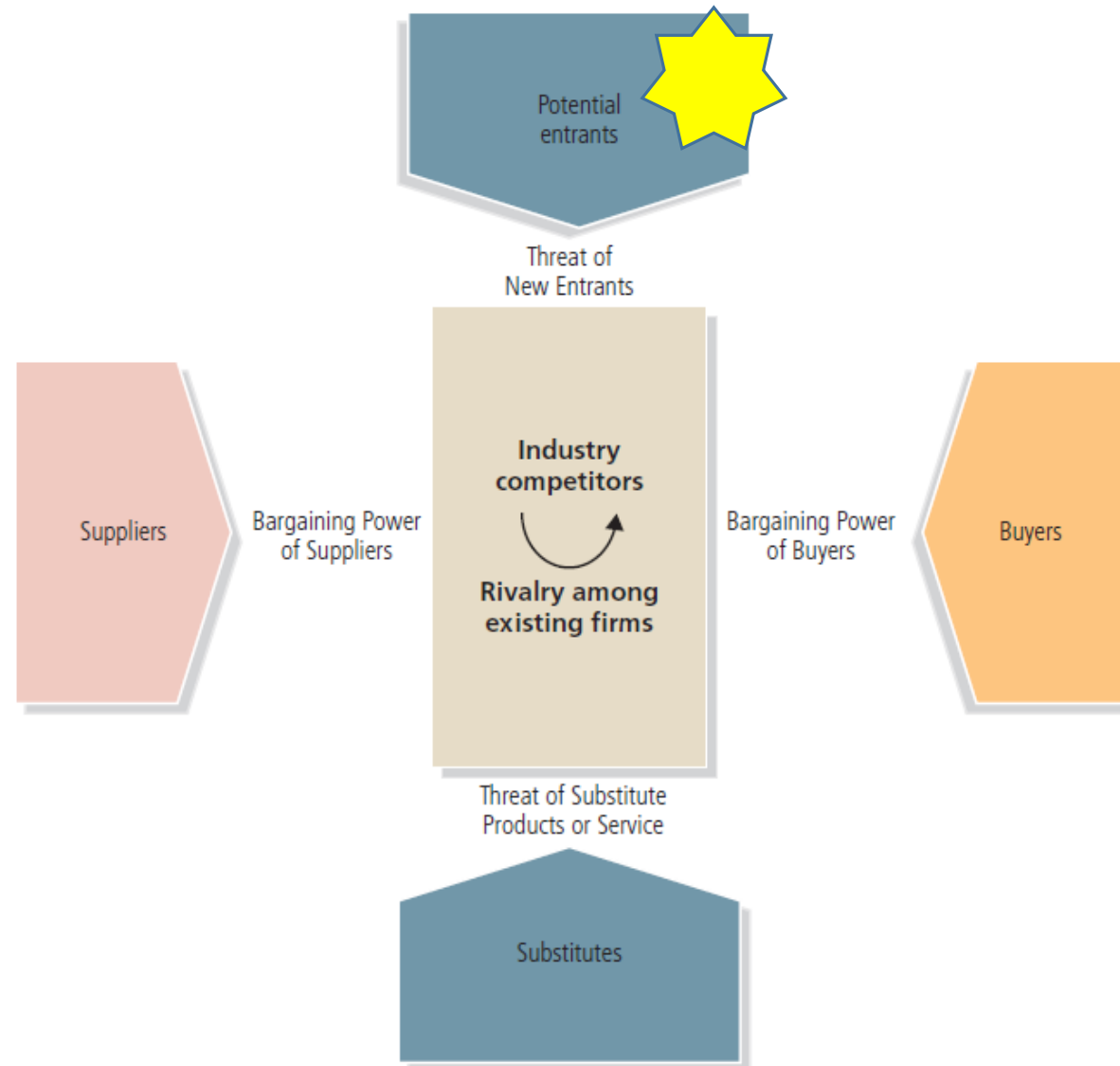


Bargaining Power of Buyers

- Buyers' influence is high when number of customers is small and cost of switching to a competitor's product is low.
- Industry is more attractive when:
 - Customers' switching costs are high
 - Number of buyers is large
 - Customers want differentiated products
 - Customers find it difficult to collect information for comparing suppliers
 - Items account for a small portion of customers' finished products



FIVE FORCES MODEL

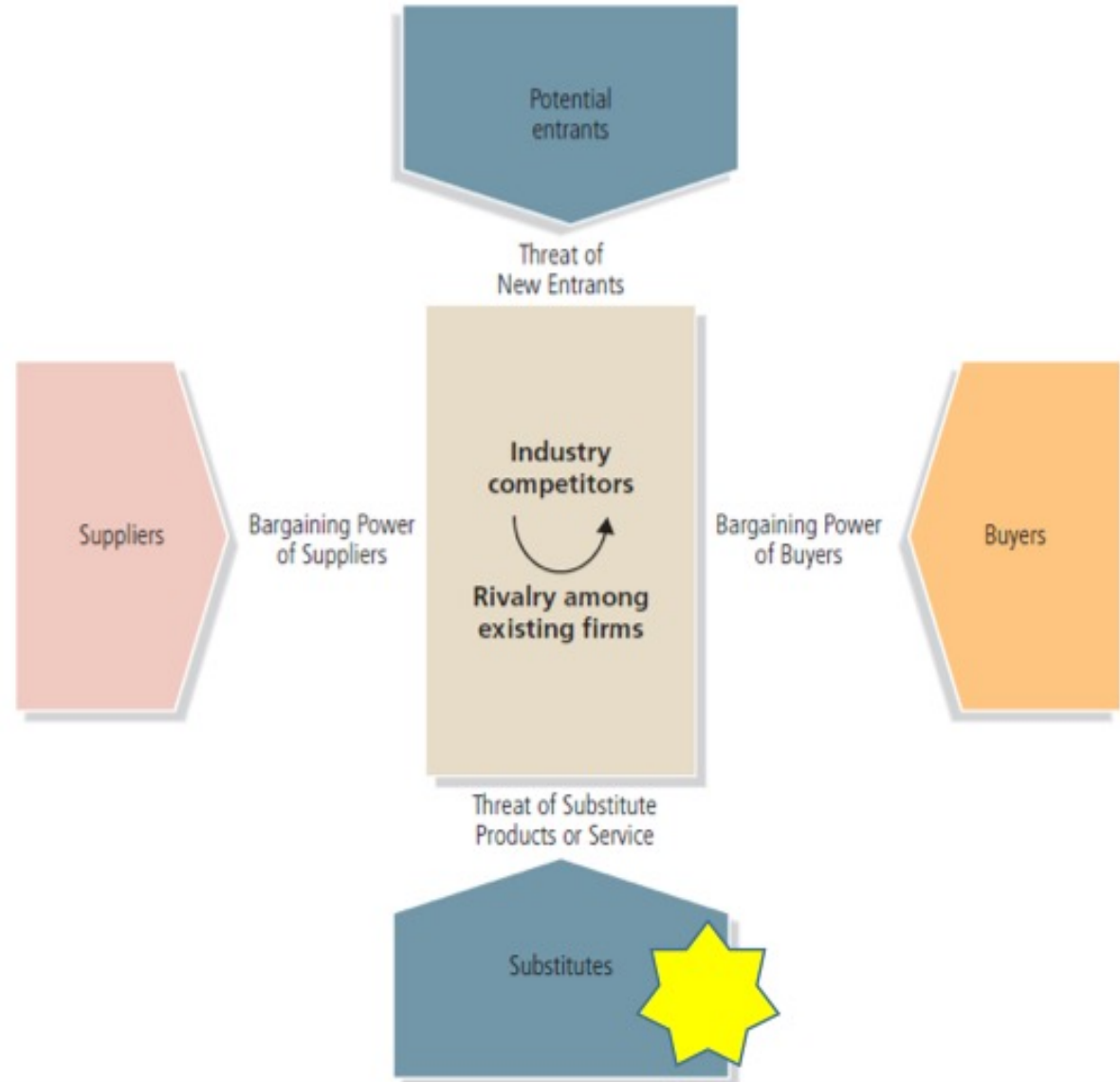


Threat of New Entrants

- The larger the pool of potential new entrants, the less attractive an industry is.
- Industry is more attractive to new entrants when:
 - Advantages of economies of scale are absent
 - Capital requirements to enter are low
 - Cost advantages are not related to company size
 - Buyers are not loyal to existing brands
 - Government does not restrict the entrance of new companies



FIVE FORCES MODEL

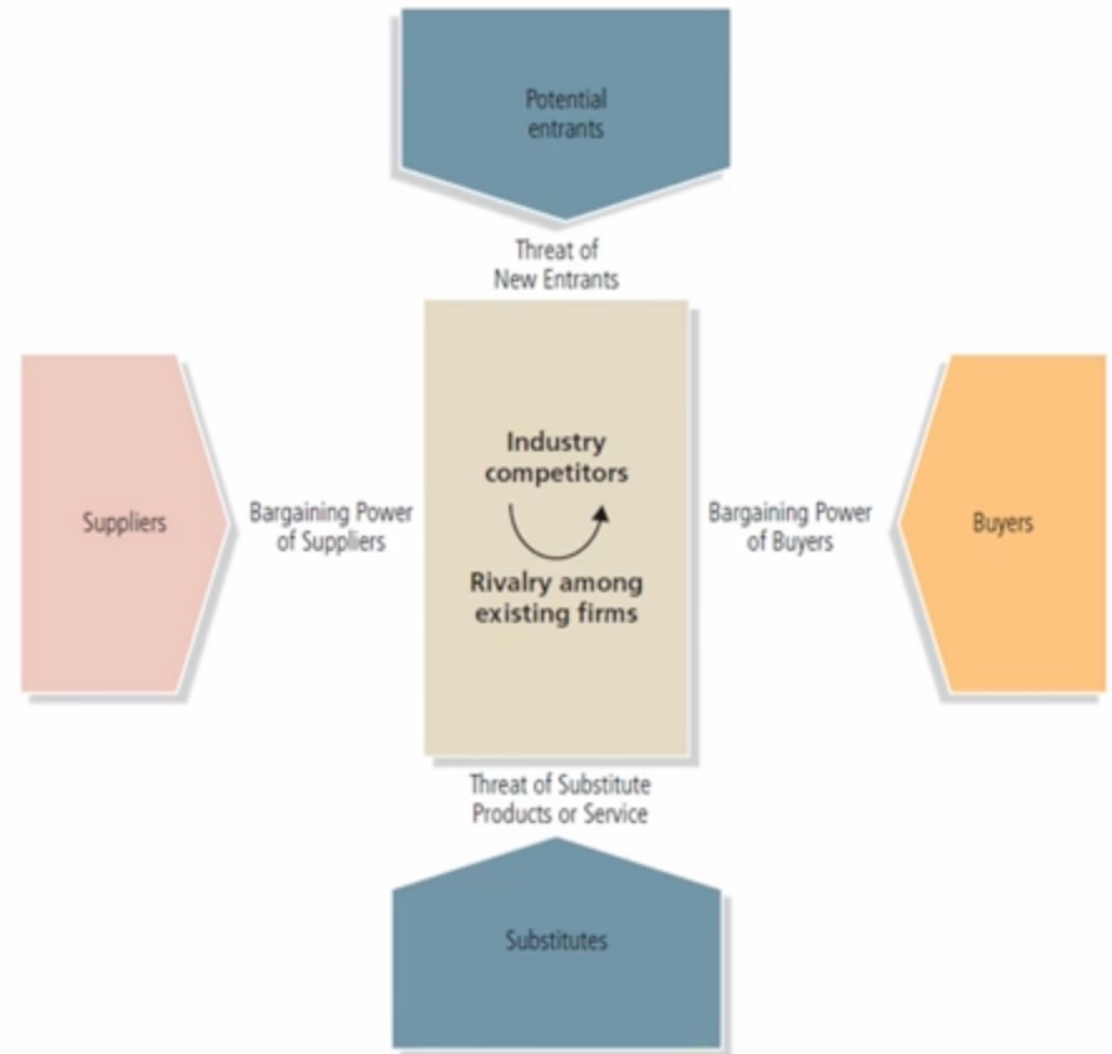




Threat of Substitutes

- A substitute good refers to a **product or service that consumers see as essentially the same or similar-enough to another product**. Put simply, a substitute is a good that can be used in place of another.
- Substitute products or services can turn an industry on its head.
- Industry is more attractive to new entrants when:
 - Quality substitutes are not readily available
 - Prices of substitute products are not significantly lower than those of the industry's products
 - Buyers' switching costs are high

FIVE FORCES MODEL



Five Forces Matrix

Assign a value to rate the importance of each of the five forces to the industry on a 1 (not important) to 5 (very important) scale. Then assign a value to reflect the threat that each force poses to the industry.

Multiply the importance rating in column 2 by the threat rating in column 3 to produce a weighted score.

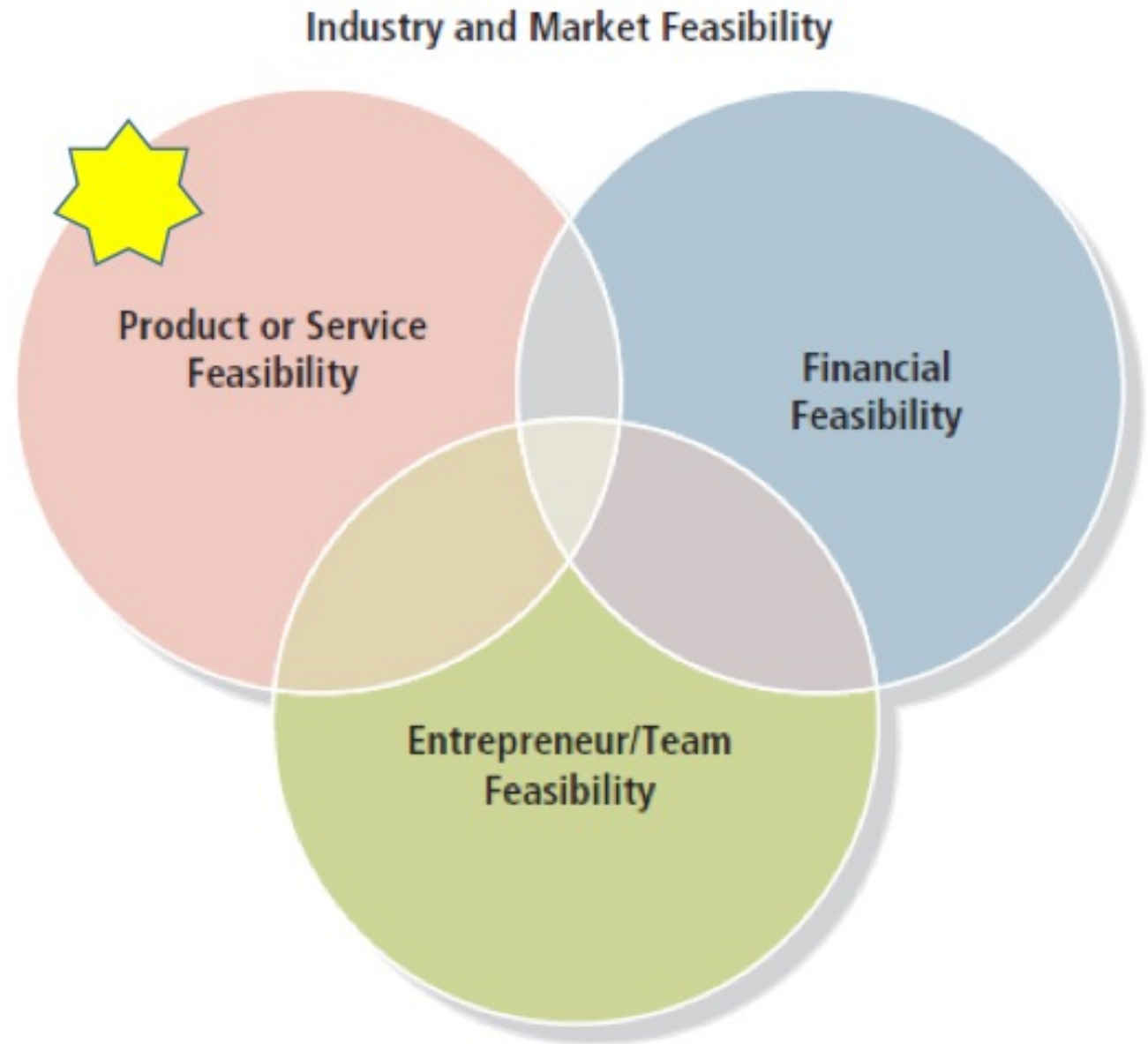
Add the weighted scores in column 3 to get a total weighted score. This score measures the industry's attractiveness. The matrix is a useful tool for comparing the attractiveness of different industries.

Minimum Score = 5 (Very attractive)

Maximum Score = 125 (Very unattractive)

Force	Importance (1 to 5) (1 = Not Important, 5 = Very Important)	Threat to Industry (1 to 5) (1 = Low 3 = Medium 5 = High)	Weighted Score Col 2 × Col 3
Rivalry among companies competing in the industry	5	2	10
Bargaining power of suppliers in the industry	2	2	4
Bargaining power of buyers	2	4	8
Threat of new entrants to the industry	3	4	12
Threat of substitute products or services	4	1	4
Total			38

ELEMENTS OF FEASIBILITY ANALYSIS



Product or Service Feasibility Analysis

- Determines the degree to which a product or service idea appeals to potential customers and identifies the resources necessary to produce it.
- Two questions:
 1. Are customers willing to purchase our product or service?
 2. Can we provide the product or service to customers at a profit?



Product or Service Feasibility Analysis

- **Primary research:**
 - Collect data firsthand and analyze it.
- **Secondary research:**
 - Gather data that already has been compiled and analyze it.

SECONDARY DATA

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PRIMARY DATA	SECONDARY DATA
Primary data is a type of data researchers directly collect from main sources	Secondary data refers to already existing data produced by the previous researchers
Includes real-time data	Related to the past
Collected to address a current research problem	Primarily collected to address previously existed research problems and can be used to address the current research problem as well
Accessing primary data includes a relatively long process	Referring to secondary data is quick and easy
Data collection tools include observations, surveys, questionnaires, physical testing, online questionnaires, personal or telephone interviews, case studies, and	Data collection tools include journal articles, websites, books, government publications, records, etc.

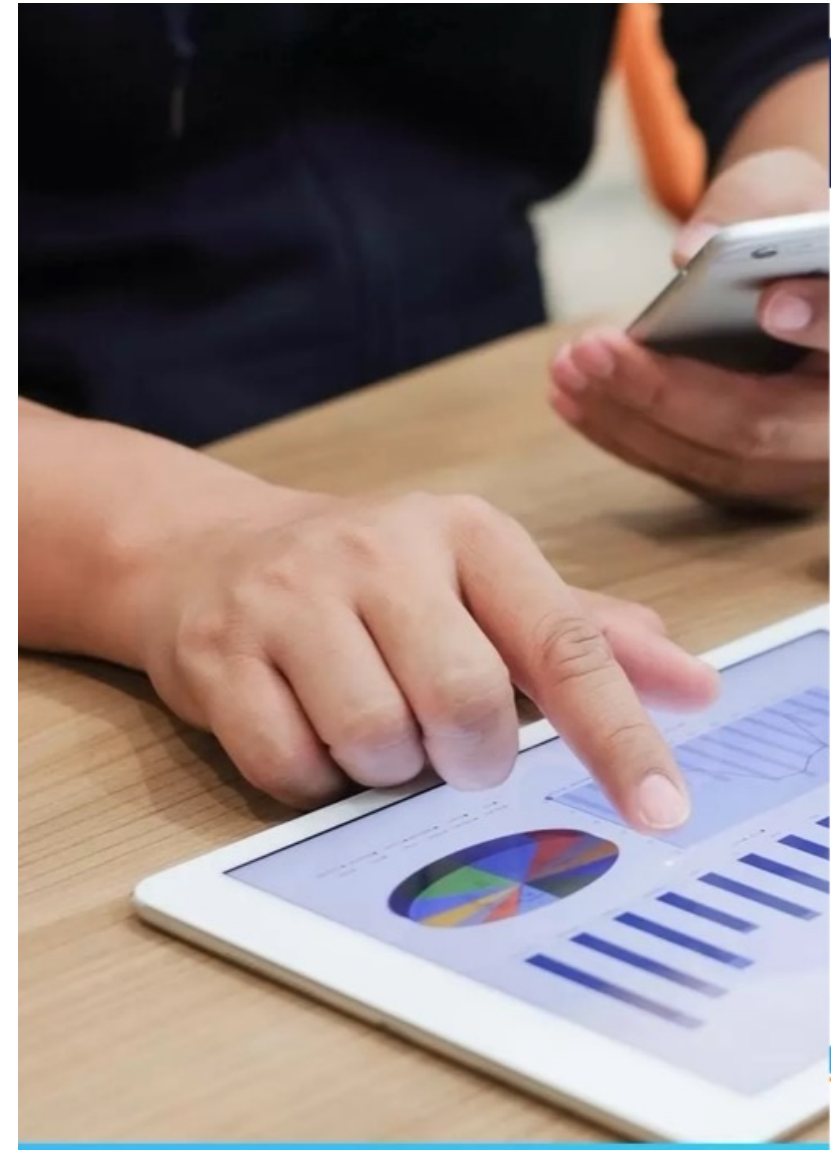
Secondary data

- It searches usually start by getting a secondary data
- the sources of secondary data can be:
 - the company's internal database
 - companies can buy secondary data from outside suppliers like research agencies
 - use commercial online databases
 - Use Internet search engines ...
- Secondary data can usually be obtained more quickly and at lower cost than primary data
- Secondary sources can sometimes provide data and individual company cannot collect on its own.
- The researcher must evaluate secondary information carefully to make certain it is relevant, accurate, current and impartial.

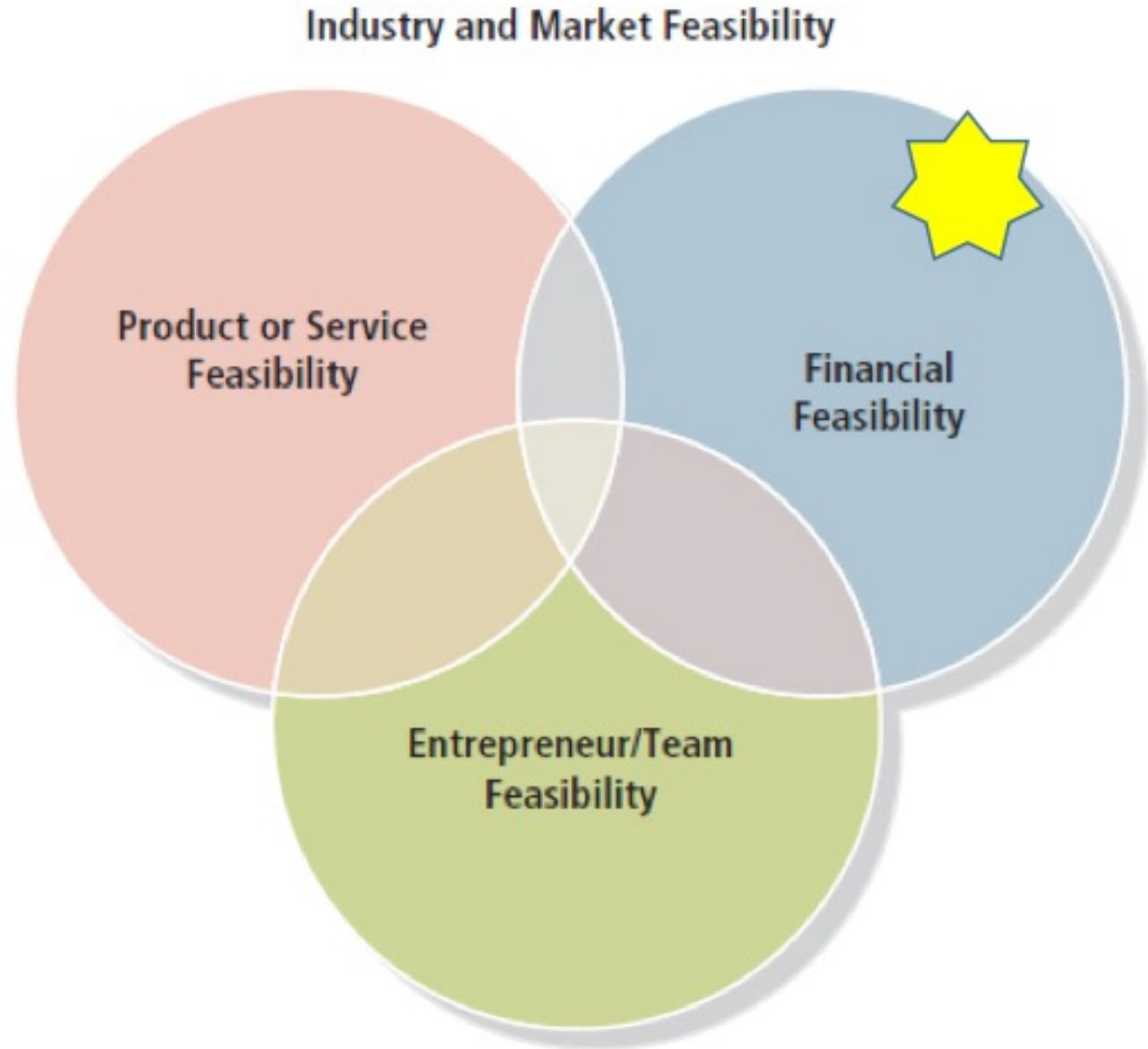


Primary Research Techniques

- **Customer surveys and questionnaires**
- **Focus groups**
- **Prototypes**
- **In-home trials** (consumer visits to observe consumers use of product/service)
- **“Windshield” research** (observe customers interacting with existing businesses within an industry).
- **Trade associations and business directorie**
- ...



ELEMENTS OF FEASIBILITY ANALYSIS

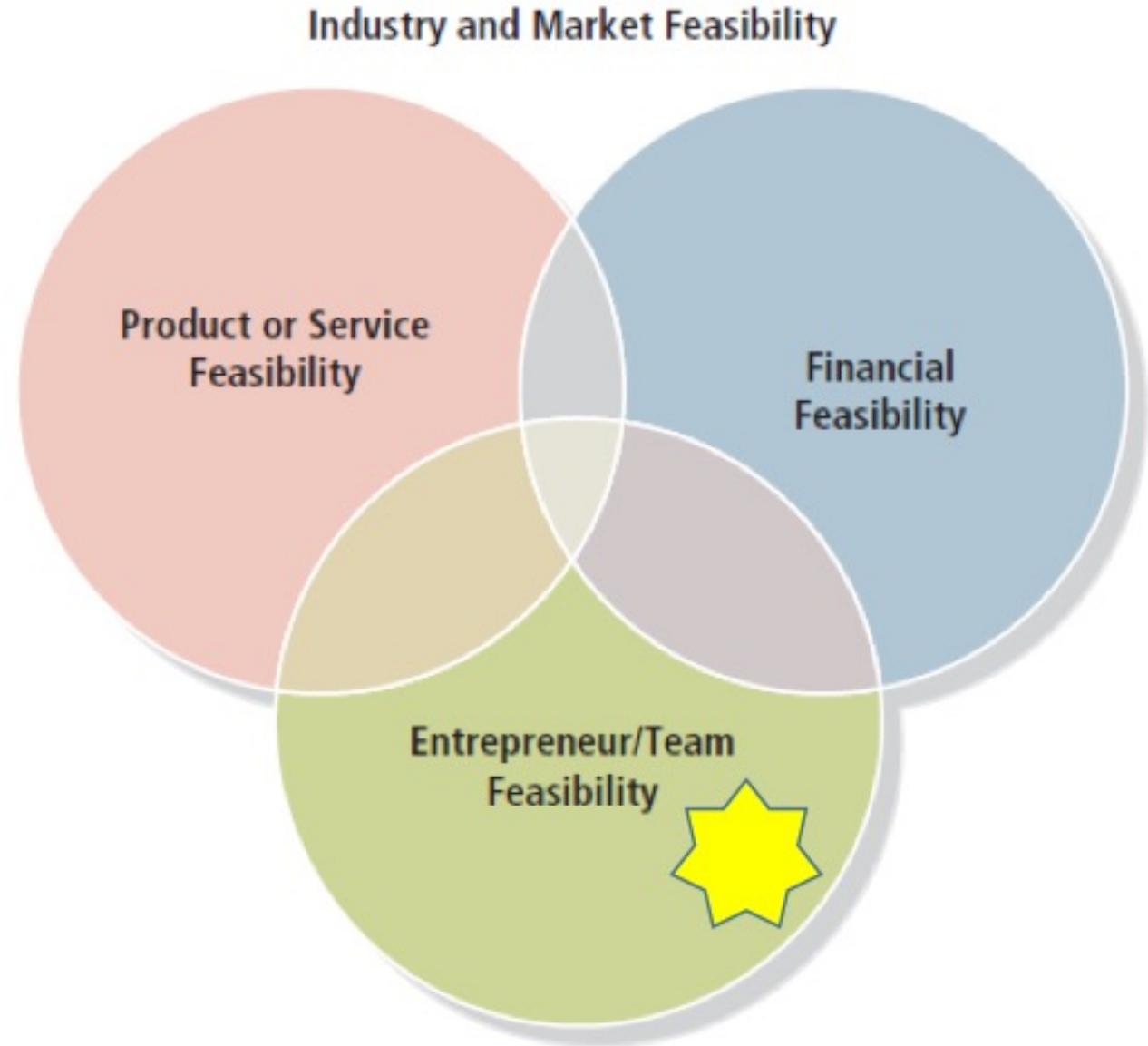


Financial Feasibility Analysis

- **Capital requirements:** an estimate of how much start-up capital is required to launch the business.
- **Estimated earnings:** forecasted income statements.
- **Time out of cash:** the total cash it will take to sustain the business until the business achieves break-even cash flow.
- **Return on investment:** combining the previous two estimates to determine how much investors can expect their investments to return.



ELEMENTS OF FEASIBILITY ANALYSIS



Entrepreneur Feasibility

- Is this idea right for me?
 - Assess entrepreneurial readiness: knowledge, experience, and skills necessary for entrepreneurs to be successful.
 - Assess whether the business will be able to generate enough profit to support everyone's income needs.

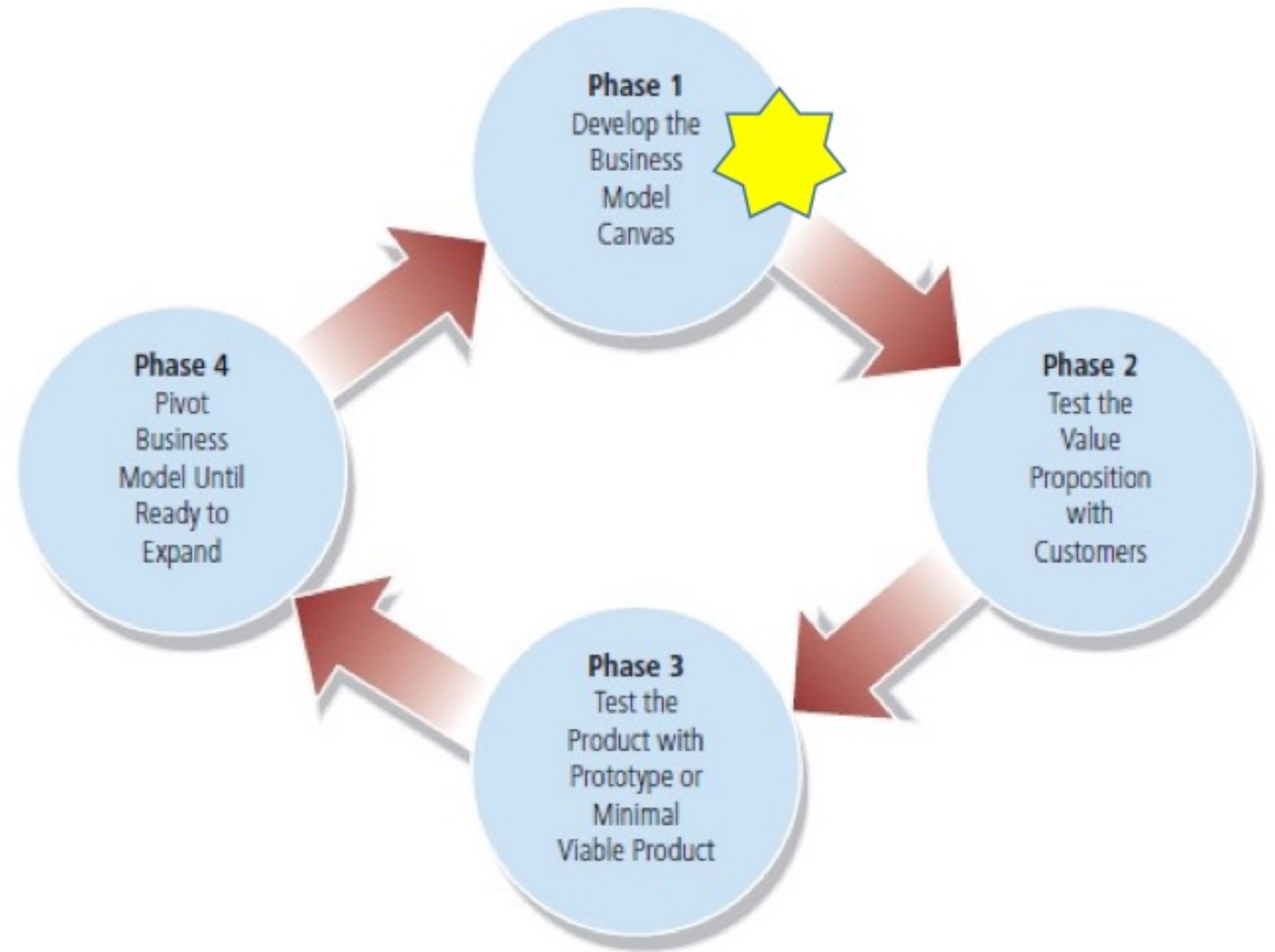


Developing and Testing a Business Model

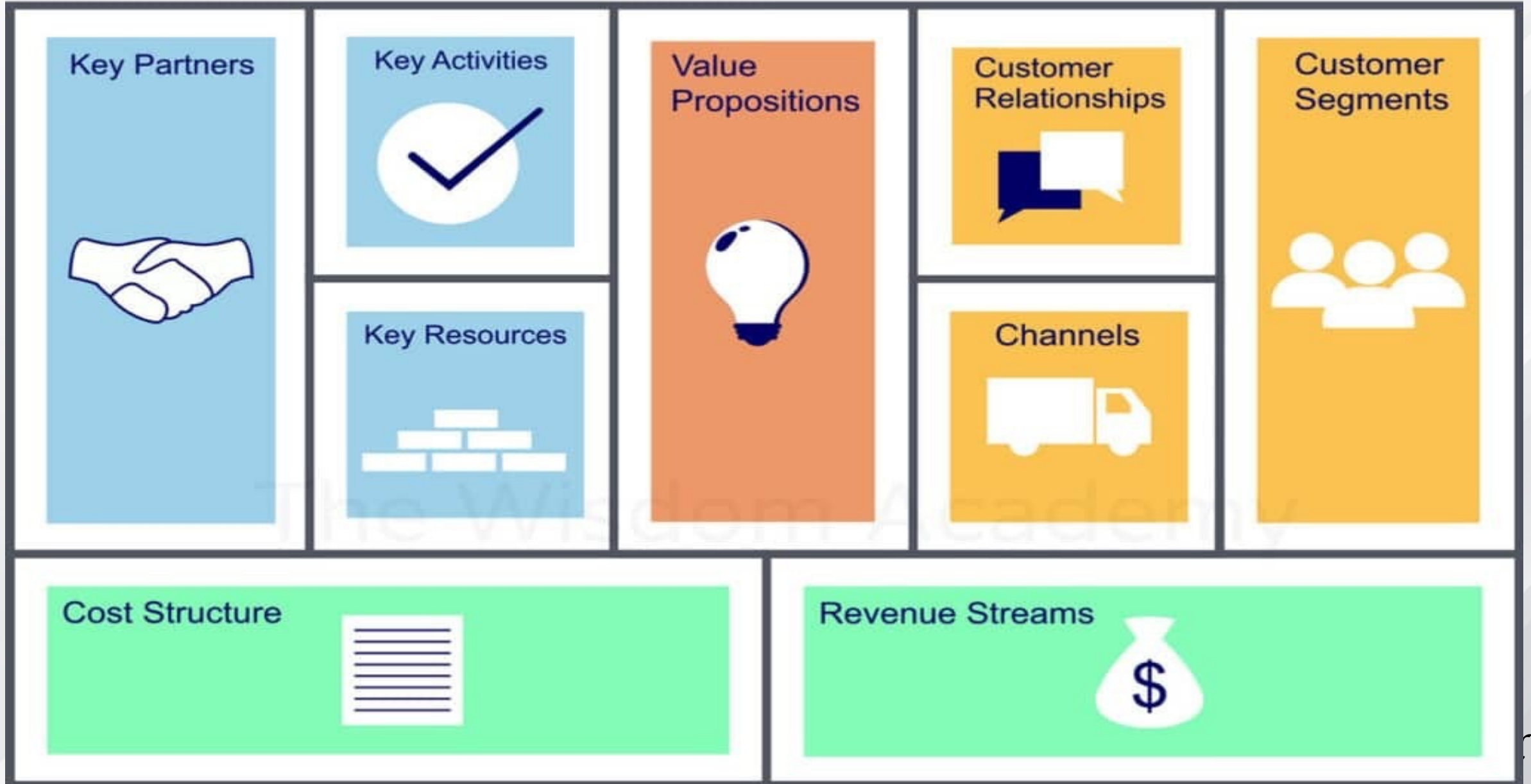
- **Key questions to address:**

1. What value does the business offer customers?
2. Who is my target market?
3. What do they expect of me as my customers?
4. How do I get information to them, and how do they want to get the product?
5. What are the key activities to make all this come together, and what will they cost?
6. What resources do I need to make this happen, including money?
7. Who are the key partners I will need to attract to be successful?

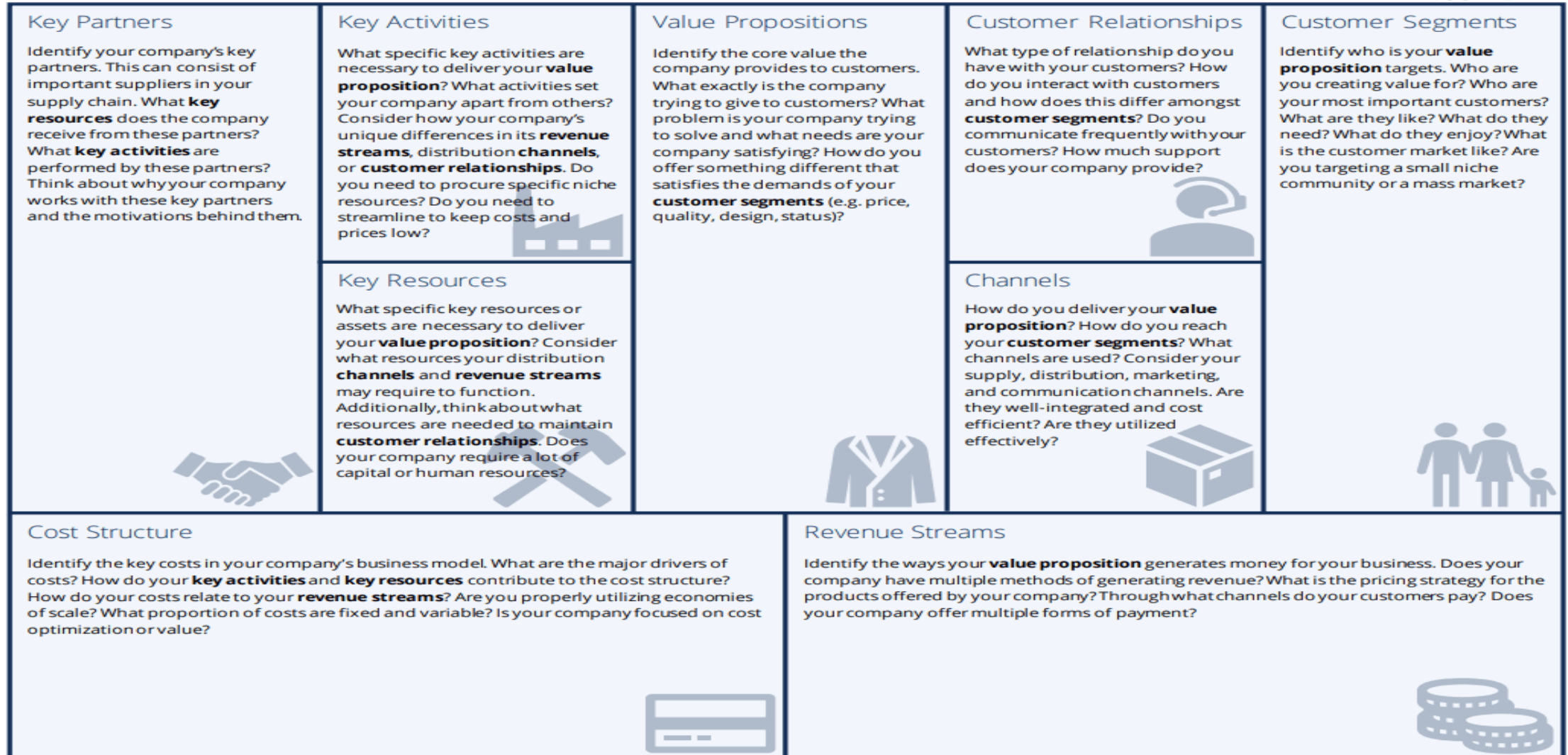
The Business Modeling Process



Business Model Canvas



THE BUSINESS MODEL CANVA



BUSINESS MODEL CANVAS

Key Partners

- Sellers
- authors
- Publishers
- logistic

Key Activities

- Merchandising
- Development, design, and optimization
- Manage supply chain and logistics
- Secure and build partnership

Key Resources

- fulfillment centers
- technological infrastructure
- Online platform

Value Propositions

- Competitive pricing
- Selection of goods
- Convenience
- Fast Delivery

Customer Relationships

- Reviews and comments
- Customer service
 - phone
 - online chat
 - email

Channels

- Amazon's website & Apps
- Affiliate Program

Customer Segments

- anyone with internet connection
- Somebody who is looking for convenience of ecommerce and Fast delivery

Cost Structure

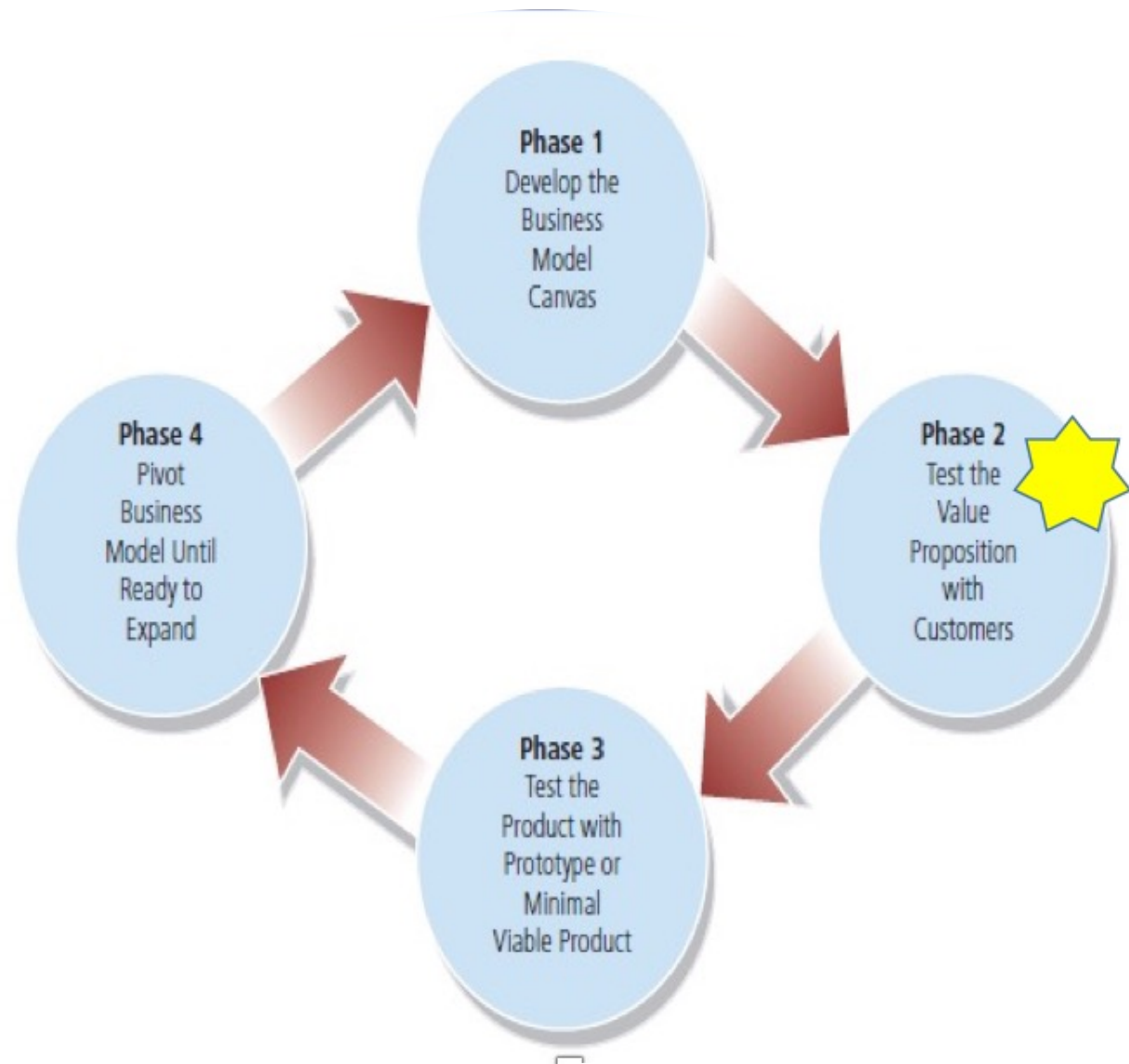
- Driven by Technology
- Operation of Fulfillment centers
- customer service centers
- software development

Revenue Streams

- Amazon Prime subscription fees
- Commission
- Transaction Fees



The Business Modeling Process

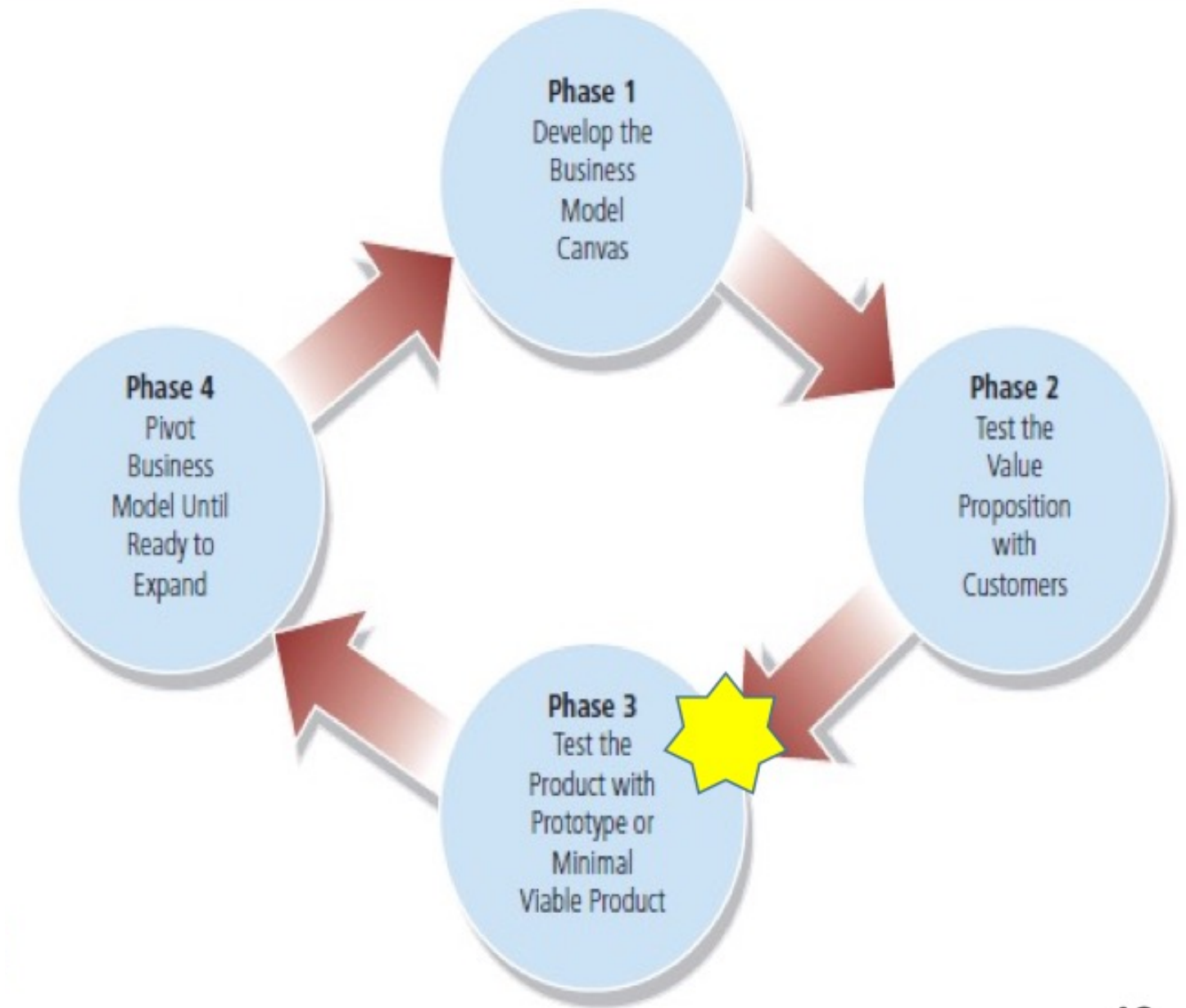


Test the Value Proposition

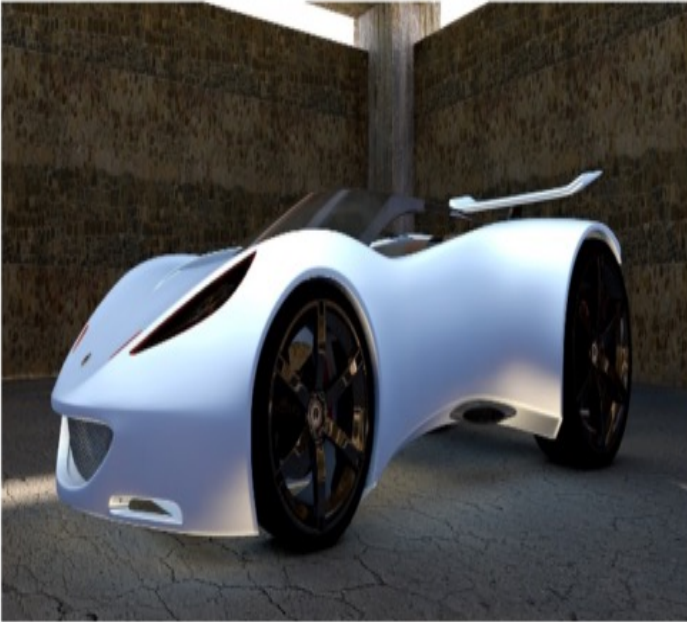
- **Ask customers:**
 - Do we really understand the customer problem the business model is trying to address?
 - Do these customers care enough about this problem to spend their hard-earned money on our product?
 - Do these customers care enough about our product to help us by telling others through word-of-mouth?



The Business Modeling Process



Prototype



How it works
in practice

Business Prototyping

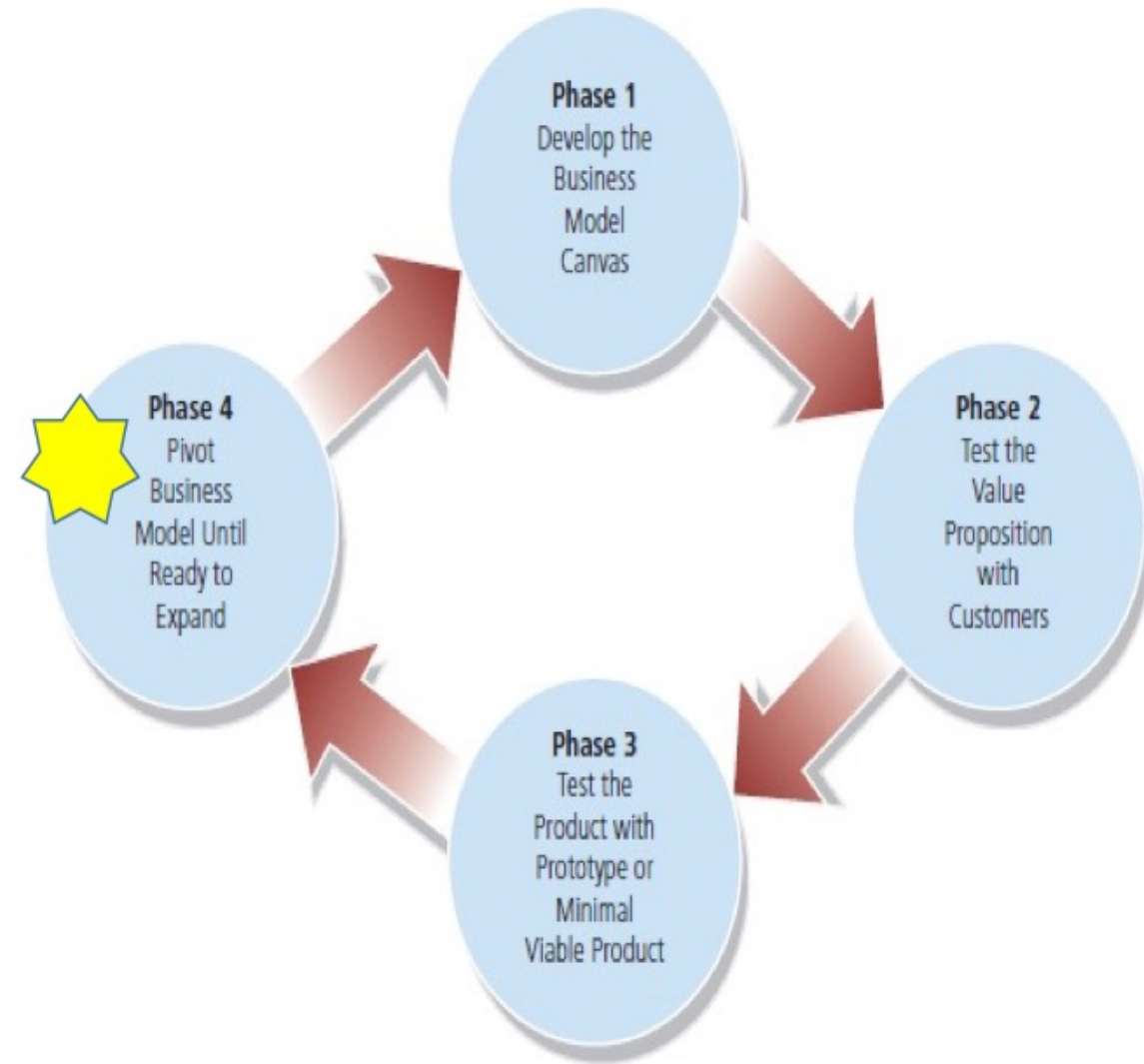
- Entrepreneurs test their business models on a small scale before committing serious resources to launch a business that might not work.
- Recognizes that a business idea is a hypothesis that needs to be tested before taking it full scale.



Business Prototyping

- Test early versions of a product or service using a *lean start-up*: a process of rapidly developing simple prototypes to test key assumptions by engaging real customers.
- Begin the lean start-up process using a **minimal viable product**: the simplest version of a product or service with which an entrepreneur can create a sustainable business.

The Business Modeling Process



Pivots



- **Pivots:** the process of making changes and adjustments in the business model on the basis of the feedback a company receives from customers.
 1. Product pivot
 2. Customer pivot
 3. Revenue model pivot



Conclusion

- The best business ideas start with a common problem or need.
- The ideas assessment process helps an entrepreneur more efficiently and effectively examine multiple ideas to identify the solution with the most potential.
- A feasibility analysis helps the entrepreneur determine whether an idea can be transformed into a viable business.
- Developing a business model helps the entrepreneur better understand all that will be required to launch and build a business.
- Once the entrepreneur completes the idea assessment, feasibility study, and business model, he or she is ready to develop the business plan.



**thanks for
listening!**